

# **SAN MATEO COUNTY SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY**

**AUGUST 2003**

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## **CALIFORNIA STATE BOARD OF EQUALIZATION**

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Interim Executive Director

No. 2003/056

August 29, 2003

TO COUNTY ASSESSORS:

SAN MATEO COUNTY  
SUPPLEMENTAL ASSESSMENT PRACTICES SURVEY

A copy of the *San Mateo County Supplemental Assessment Practices Survey Report* is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable Warren Slocum, San Mateo County Assessor-County Clerk-Recorder, was provided a draft of this report and elected to file a written response to the findings and recommendations contained in it. Pursuant to Government Code section 15646, this report is distributed to the Governor, the Attorney General, the State Legislature, and the San Mateo County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

The BOE's County Property Tax Division performed fieldwork for this supplemental survey of the San Mateo County Assessor's Office during July of 2002. This report does not reflect changes implemented by the assessor after the fieldwork was completed.

The survey process inherently requires the interruption of normal office work routines. We thank Mr. Slocum and his staff for their cooperation and patience during this assessment practices survey.

These survey reports give government officials in California charged with property tax administration the opportunity to exchange ideas for the mutual benefit of all participants and stakeholders. We encourage you to share your questions, comments, and suggestions for improvement with us.

Sincerely,

/s/ Mickie Stuckey  
for

David J. Gau  
Deputy Director  
Property and Special Taxes Department

DJG: jm  
Enclosure



## TABLE OF CONTENTS

<b>INTRODUCTION.....</b>	<b>1</b>
<b>SCOPE OF SUPPLEMENTAL SURVEY.....</b>	<b>2</b>
<b>EXECUTIVE SUMMARY.....</b>	<b>3</b>
<b>REAL PROPERTY VALUATION AND ASSESSMENT: RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS .....</b>	<b>4</b>
SUPPLEMENTAL ASSESSMENT .....	4
MISFORTUNE AND CALAMITY .....	4
CHANGE IN OWNERSHIP.....	5
NEW CONSTRUCTION.....	6
POSSESSORY INTERESTS.....	6
WATER COMPANY PROPERTY .....	8
CALIFORNIA LAND CONSERVATION ACT .....	8
<b>BUSINESS AND PERSONAL PROPERTY VALUATION AND ASSESSMENT: RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS.....</b>	<b>10</b>
EQUIPMENT VALUATION FACTORS.....	10
AUDIT PROGRAM.....	10
AIRCRAFT.....	11
VESSELS .....	11
APARTMENT PERSONAL PROPERTY .....	12
LEASED EQUIPMENT .....	13
MANUFACTURED HOUSING.....	13
<b>APPENDICES .....</b>	<b>15</b>
A. COUNTY PROPERTY TAX DIVISION SURVEY GROUP .....	15
B. RELEVANT STATUTES AND REGULATIONS.....	16
<b>ASSESSOR'S RESPONSE TO BOE'S FINDINGS.....</b>	<b>19</b>

## **INTRODUCTION**

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest comes from the fact that half or more of all property tax revenues are used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

The assessment practices survey program is one of the State's major efforts to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews (surveys) every county assessor's office at five-year intervals and publishes a report of its findings.

The most recent assessment practices survey report for San Mateo County was published March 2001. That report included the assessor's initial response to the recommendations contained in the report.

The BOE has also elected to conduct a supplemental survey of this county. Supplemental surveys are conducted at least one year after publication of the original report and are made to determine the extent to which the assessor has implemented the BOE's recommendations contained in the original report. This report reflects the BOE's findings in its supplemental survey of the San Mateo County Assessor's Office.<sup>1</sup>

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<sup>1</sup> This report covers only the responsibilities of the assessor and functions of the assessor's office.

## **SCOPE OF SUPPLEMENTAL SURVEY**

A supplemental assessment practices survey is not an audit of the assessor's entire operation; it is a review of the assessor's efforts to implement the recommendations made in our most recent survey report. New issues were not explored.

Our supplemental survey of the assessor's office included a review of the assessor's written response to the recommendations contained in the survey report, a review of the assessor's current records pertaining to those recommendations, and interviews with the assessor and his staff. This report evaluates the progress that the assessor has made in addressing the problems identified in our survey report published in March 2001. It also notes areas where problems persist.

## **EXECUTIVE SUMMARY**

In our March 2001 *San Mateo County Assessment Practices Survey Report*, we made 14 recommendations for changes to seven areas of the real property assessment program: supplemental assessments, disaster relief, change in ownership, new construction, possessory interests, California Land Conservation Act, and water company property. The assessor has fully implemented five of these recommendations, partly implemented two, and not implemented seven of them.

We made 12 recommendations for changes to six areas of the assessor's business and personal property assessment programs: the audit program, property statement processing, valuation factors, leased equipment, vessel/aircraft assessments, and manufactured homes. The assessor has fully implemented four of the recommendations, partly implemented two, and not implemented the remaining six.

## **REAL PROPERTY VALUATION AND ASSESSMENT: RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS**

Following are the original recommendations from the BOE's 2001 Assessment Practices Survey Report and the assessor's responses to them. After each recommendation, we report the current status of the assessor's efforts to implement them, as noted during our supplemental survey fieldwork.

### ***Supplemental Assessment***

**RECOMMENDATION 1:** Process all supplemental assessments.

#### **Assessor's Response:**

*We agree. The few instances identified by SBE staff did not reflect our policy and these were isolated incidents. Our newly installed assessment system calculates and processes all supplemental assessments and the County Tax Collector makes the tax cancellation determination based upon his authority.*

#### **Current Status:**

The assessor has implemented this recommendation. The assessor now issues supplemental assessments for all reassessable events through the new assessment system. The new system calculates and processes all supplemental assessments and forwards that data to the tax collector.

### ***Misfortune and Calamity***

**RECOMMENDATION 2:** Request that the board of supervisors revise the disaster relief ordinance to comply with current statutory requirements.

#### **Assessor's Response:**

*We agree.*

#### **Current Status:**

The assessor has implemented this recommendation. The San Mateo County Board of Supervisors adopted a new disaster relief ordinance (Ordinance 4033) on March 13, 2001, to reflect the change of the lien date to January 1. Subsequently, the Legislature enacted several changes to section 170 (Stats. 2001, Ch. 407). The assessor stated that the board of supervisors would act upon those changes in August 2002.



### **Change in Ownership**

**RECOMMENDATION 3:** Apply the penalty for non-compliance with the change in ownership statement request.

**Assessor's Response:**

*We disagree. As the results of this survey show and, as has been the case since the change in ownership legislation was enacted in the early 1980's, we accurately assess property upon a change in ownership. We do not believe that the implementation of a complex penalty program would add to the accuracy or efficiency of our work.*

**Current Status:**

The assessor has not implemented this recommendation. The assessor sends a change in ownership questionnaire and a cover letter that details a penalty for failure to file. However, the penalties are not enforced.

**RECOMMENDATION 4:** Use the BOE-prescribed change in ownership statement.

**Assessor's Response:**

*We disagree. Our forms are specific to the type of change in ownership that has taken place. We believe that these, more specific questionnaires produce more reliable results.*

**Current Status:**

The assessor has not implemented this recommendation. When a *Preliminary Change of Ownership Report* (Form BOE-502-A) is not received with a recorded deed, or this report lacks necessary data, the assessor sends a change in ownership questionnaire. However, the assessor's questionnaire is not a BOE-prescribed form. Pursuant to section 480 he must use the BOE-prescribed form.

**RECOMMENDATION 5:** Quarterly report all section 69.5 approved claims to the BOE.

**Assessor's Response:**

*We agree.*

**Current Status:**

The assessor has not implemented this recommendation. The assessor does not submit quarterly reports of section 69.5 approved claims to the BOE. The assessor states that time and staff limitations prevent the fulfillment of this statutory duty.

### **New Construction**

**RECOMMENDATION 6:** Obtain building permits from the San Mateo County Department of Health Services.

**Assessor's Response:**

*We agree.*

**Current Status:**

The assessor has implemented this recommendation. The assessor now receives building and well permits from the San Mateo County Department of Health Services.

**RECOMMENDATION 7:** Record all permits to discern assessable new construction.

**Assessor's Response:**

*We agree. As we mentioned in our 1993 survey, this policy is used solely for prioritization of workload. We have implemented R & T Code section 72 ( c ), which provides us with copies of building plans. All plans are reviewed by the responsible appraiser, and appropriate new construction assessments are discovered using this, additional and more complete, information.*

*Additionally, our appraisal staff works closely with the building and planning jurisdictions in their area of responsibility and compare their permit listings with that of the local jurisdiction. As we continue the implementation of our new secured assessment system it will become cost effective to electronically transfer building permit data into our assessment system.*

**Current Status:**

The assessor has implemented this recommendation. All building permits are now logged into the assessment system database, except permits that are strictly for repair and are below \$5,000 in value.

### **Possessory Interests**

**RECOMMENDATION 8:** Assess the possessory interest of all private users of the fairground.

**Assessor's Response:**

*The annual tracking of the numerous small time promoters who constantly change their ownership entities is a time consuming task. It is not the county policy to "exempt" these possessory interests, but rather using prudent management discretion for the efficient use of available resources, review them with priority given to their fiscal effect. Historically, these low valued assessments have been controversial, difficult to defend before the Assessment Appeals Board, and are problematic for tax collection from the transient promoters.*

*We will continue to review these small assessments as staffing permits.*

**Current Status:**

The assessor has not implemented this recommendation. Possessory interests with a value under \$2,500 continue to go unassessed. San Mateo County's current low-value property exemption ordinance exempts only personal property assessments. Possessory interests, though assessed on the unsecured roll, are real property. Although it may not be cost effective to assess, bill, and collect these minor possessory interests, there is no provision in the low-value exemption ordinance to exempt them.

**RECOMMENDATION 9:** Obtain building permits from the San Francisco Airport Commission.

**Assessor's Response:**

*We agree.*

**Current Status:**

The assessor has implemented this recommendation. After the publication of our survey in March 2001, the assessor started to obtain building permits from the San Francisco Airport Commission. The assessor stopped requesting these permits, however, because the documents do not include a construction value. The assessor does not believe that the permits contain beneficial information.

In lieu of obtaining the permits, the assessor now receives a *Tenant Improvement Registry* from the San Francisco Airport Commission that lists tenants and contains a description of any construction work that has been done. The assessor compares that listing with the Schedule B data on the business property statements to discover unreported new construction.

**RECOMMENDATION 10:** Require all airlines to complete Schedule B of their property statements to ensure that taxable new construction is assessed.

**Assessor's Response:**

*We agree.*

**Current Status:**

The assessor has partially implemented this recommendation. The cover letter that accompanies the airline property statement now includes explicit instructions for completing Schedule B. A number of the smaller airlines with operations at San Francisco International Airport complete the schedule. The largest airlines do not complete the schedule. The assessor relies on audit examinations to discover tenant improvements for large airlines.

### **Water Company Property**

**RECOMMENDATION 11:** Determine a base year value for all real property owned by a private water company.

**Assessor's Response:**

*As we responded in our 1993 survey, we disagree with this recommendation and the finding of the SBE audit. For the private water company in question we have established base year values for the land and improvements located on fee parcels.*

*For the right of way parcels, which represent the water distribution improvements (typically the actual water pipe) within a designated tax code area, the assessment is recalculated annually to reflect the additions and retirements of these improvements. Supplemental assessments are issued for increases in the value of the improvements in each code area. It is not practical to identify each specific piece of "pipe" and assign them separate base year values.*

*This methodology is consistent with the nature of this special property type, results in the supplemental assessment of the company's construction program and conforms to procedures agreed upon with other counties where the water company is located.*

**Current Status:**

The assessor has not implemented this recommendation. The assessor continues to use the methodology detailed in his original response. The assessor states that the taxpayer is agreeable to this methodology and that it is not practical to assign a base year value to all fixture improvements made by private water utilities.

### **California Land Conservation Act**

**RECOMMENDATION 12:** Use current income in determining the restricted value of California Land Conservation Act lands.

**Assessor's Response:**

*We agree and will implement as staffing permits.*

**Current Status:**

The assessor has not implemented this recommendation. The assessor does not use current income in determining the restricted value of California Land Conservation Act (CLCA) land. For current income estimates, the assessor continues to use income data from a 1985 study.

**RECOMMENDATION 13:** Obtain current income and production data from the property owner for assessing California Land Conservation Act lands.

**Assessor's Response:**

*We agree that the current economic income should be determined for the CLCA lands that are actually productive, operating agricultural property. Much of the property under CLCA contract is not actually utilized for agricultural purposes. The majority of the CLCA land is non-productive acreage used as open space.*

*The issue is one of properly classifying the actual use of the CLCA property. We will better identify the actual productive operating agricultural properties, current land use classifications and income data as staffing permits.*

**Current Status:**

The assessor has partially implemented this recommendation. The assessor has contacted all plant nurseries that are located on CLCA land and has obtained their current rent schedules. The assessor is drafting a letter requesting rent schedules from other types of CLCA land users.

**RECOMMENDATION 14:** Use animal unit months (AUM's) in the analysis and assessment of grazing lands.

**Assessor's Response:**

We agree that the AUM method is the best method for the valuation of grazing land. However, consistent with our response to Recommendations #12 & #13 there is very little land under CLCA contract that is actually used as grazing land. Historical overgrazing of natural pasture has left land stability problems in San Mateo County and therefore the actual use of these lands is for open space.

Given the limited nature of this use, this analysis will be implemented as staffing permits.

**Current Status**

The assessor has not implemented this recommendation. The assessor does not use AUM's in the analysis and assessment of grazing lands when appraising CLCA land. The assessor uses his own classification system for the assessment of CLCA land.

## **BUSINESS AND PERSONAL PROPERTY VALUATION AND ASSESSMENT: RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS**

Following are the original recommendations from our 2001 survey report and the assessor's responses to them. After each recommendation, we report the current status of the assessor's effort to implement the recommendation, as noted during our supplemental survey fieldwork.

### ***Equipment Valuation Factors***

**RECOMMENDATION 15:** Use the BOE's equipment index and percent good factors as intended.

#### **Assessor's Response:**

*We disagree. Taxpayers report mixed types of equipment in the equipment column on Schedule "A" of their Business Property Statement. This information may or may not be sufficiently detailed to accurately determine the type of equipment reported. We do not see the benefits outweighing the costs of implementing this recommendation. Our current method of using composite tables produces 30 factor tables to value all commercial, industrial, agricultural and other personal property in the county. Implementing this recommendation would create numerous additional factoring tables, and the resulting complexity in the processing of statements. The additional tables could contribute to errors, be more time consuming and produce a minimum difference to the final result.*

#### **Current Status:**

The assessor has partially implemented this recommendation. The assessor now uses the two major index tables (Commercial and Industrial) and the BOE computer valuation tables in accordance with the January 1, 2002, edition of the BOE's Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors*. The assessor continues to use minimum percent good factors without adequate substantiation. The assessor does not use the BOE-recommended valuation tables for biopharmaceutical industry fixtures and equipment, but instead uses guidelines from the California Assessors' Association.

### ***Audit Program***

**RECOMMENDATION 16:** Include business-owned aircraft and vessels in the mandatory audit program.

#### **Assessor's Response:**

*We agree.*

**Current Status:**

The assessor has implemented this recommendation. Business owned aircraft (e.g., executive jets) are now included in the scope of mandatory audits.

**RECOMMENDATION 17:** Develop a formal, nonmandatory audit program.

**Assessor's Response:**

*We agree and will implement as staffing permits.*

**Current Status:**

The assessor has not implemented this recommendation. A nonmandatory audit program has been discussed, but staffing is currently not available.

**Aircraft**

**RECOMMENDATION 18:** Assess private aircraft according to the guidelines prescribed in LTA 97/03.

**Assessor's Response:**

*We recognize a minor flaw in the appraisal of private aircraft, however, our procedures produce a value difference of less than 2% from the values recommended by the BOE. We follow the recommendation as far as using the Aircraft Blue Book Price Digest value. The BOE recommends that we further reduce that amount by 10%, with no justification, and then add back a sales tax component of 8.25%. We do not see the benefit of this added work, which would produce minimum value differences.*

**Current Status:**

The assessor has not implemented this recommendation. The assessor continues to follow the policy explained in his original response as shown above. He does not see the benefit of added work for less than a two percent value difference.

**Vessels**

**RECOMMENDATION 19:** Require a current certificate of inspection by the United States Coast Guard for the section 227(c) claim.

**Assessor's Response:**

*We agree.*

**Current Status:**

The assessor has partially implemented this recommendation, as the assessor now requires United States Coast Guard Certificates of Inspection for party fishing vessels requesting a four

percent preferential assessment pursuant to section 227(c). There are 106 boats in the county which receive preferential assessment under section 227(c). Seven inspection certificates were in the records provided by the assessor.

**RECOMMENDATION 20:** Annually, determine the market value of vessels valued below \$80,000.

**Assessor's Response:**

*Our procedure of annually depreciating boat values from their purchase price provides reasonable values and is a procedure that is cost effective to administer. We believe that the value difference between the SBE method and our method would not justify the added cost to administer this program.*

**Current Status:**

The assessor has not implemented this recommendation and instead continues to apply an arbitrary five percent annual depreciation rate for vessels below \$80,000. In conjunction with other assessors, the assessor is exploring improved methods of determining the fair market value of vessels.

**RECOMMENDATION 21:** Send an annual vessel property statement to owners of vessels that cost \$100,000 or more.

**Assessor's Response:**

*We agree.*

**Current Status:**

The assessor has implemented this recommendation. All owners of vessels identified as having a cost basis of \$100,000 or more now annually receive Form BOE-576-D, *Vessel Property Statement*.

**Apartment Personal Property**

**RECOMMENDATION 22:** Properly classify and assess apartment personal property.

**Assessor's Response:**

*We do not see this recommendation as cost beneficial and, in our opinion, would tend to cause additional administrative burden and confusion for owners of small apartment buildings. The actual value of personal property included in the sale of small apartments is typically de minimus. We currently send 44 property statements to the largest county apartment owners. We see little value in annually classifying, tracking and valuing personal property in our many small apartment buildings.*



**Current Status:**

The assessor has not implemented this recommendation and is only separately classifying and assessing apartment personal property for a few buildings in the county. The assessor continues to follow the policy articulated in his original response. The assessor does not see this recommendation as cost effective.

**Leased Equipment**

**RECOMMENDATION 23:** Annually review the BOE's listing of leased property to discover locally assessable property.

**Assessor's Response:**

*We agree.*

**Current Status:**

The assessor has implemented this recommendation. The assessor now reviews the Form V-600B's transmitted from the Valuation Division of the BOE. The V-600B lists property used (leased) by state-assessed public utilities and railroads, but delegated by the BOE for local assessment. The V-600B can be a valuable discovery tool for assessors when cross-referenced with the property statement filing made by locally-assessed leasing companies.

**Manufactured Housing**

**RECOMMENDATION 24:** Correctly use the *N.A.D.A. Manufactured Housing Appraisal Guide*.

**Assessor's Response:**

*We agree and subsequent to the year of the SBE audit we began using the N.A.D.A. automated valuation system with the correct location and time adjustments.*

**Current Status:**

The assessor has implemented this recommendation. The assessor uses the N.A.D.A. automated valuation system when valuing new manufactured home installations and ownership transfers. This automated system eliminates location and time adjustment errors. For the 2001-02 roll, the assessor valued all manufactured homes using the N.A.D.A. program.

**RECOMMENDATION 25:** Annually review manufactured home assessments and enroll the lower of the factored base year value or current market value.

**Assessor's Response:**

*We agree. With our new assessment system we have begun to update all the property characteristics necessary for a regular annual automated review of all mobile home assessments for a decline in value.*

**Current Status:**

The assessor has not implemented a program that automatically reviews all manufactured home assessments for a decline in value. The assessor has implemented the N.A.D.A. automated valuation system to calculate the current market value for manufactured homes, but unfortunately this labor-intensive program requires that each home be entered and calculated individually. The N.A.D.A. program does not provide for calculating the entire manufactured home database simultaneously. For the 2001 roll, the assessor's staff input data for every manufactured home and calculated a new depreciated value using the N.A.D.A. program. Those values were used for the 2001 roll.

In an attempt to recognize a decline in value for the 2002-03 roll, the assessor's staff chose several manufactured homes at random and calculated a new depreciated value for them. They determined that the average decline was two percent from the 2001-02 roll. They then applied a two percent reduction in value to all manufactured homes for the 2002-03 roll. While this recognizes a decline in value for manufactured homes, a program that automatically reviews all manufactured home assessments for a decline in value is preferred.

**RECOMMENDATION 26:** Revise manufactured home assessments by assessing taxable manufactured home accessories.

**Assessor's Response:**

*We agree that all taxable mobile home accessories that add measurable value should be assessed. We include all accessories in the valuation whenever a new base value is calculated. Additionally, we enroll added unit size or actual structures upon discovery. However, it is difficult to measure and justify any accurate increase in market value attributable to a mobile home for low value alterations such as awnings, patio covers and skirts.*

**Current Status:**

The assessor has not implemented this recommendation. Manufactured home accessories installed after the original installation of the manufactured home are not assessed unless the building permit has a high construction value. The assessor, however, does inventory and assess any changes to the size of the living area of existing manufactured homes.

## **APPENDICES**

### ***A. County Property Tax Division Survey Group***

#### ***Alameda County Supplemental Survey***

##### ***Chief, County Property Tax Division:***

Mickie Stuckey

##### ***Survey Program Director:***

Benjamin Tang

Principal Property Appraiser

##### ***Supplemental Survey Team:***

John Corum

Senior Specialist Property Auditor Appraiser

Mark Winters

Associate Property Appraiser

Tom McClaskey

Associate Property Appraiser

## ***B. Relevant Statutes and Regulations***

### **Government Code**

#### **15640. Survey by board of county assessment procedures.**

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

#### **15641. Audit of Records; Appraisal Data Not Public.**

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located; of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

**15642. Research by board employees.**

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may also show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

**15643. When surveys to be made.**

- (a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.
- (b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.
- (d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

**15644. Recommendations by board.**

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

**15645. Survey report; final survey report; assessor's report.**

- (a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel.

Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.

- (b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report. The board may, for good cause, extend the period for filing the response.
- (c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

**15646. Copies of final survey reports to be filed with local officials.**

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

## **ASSESSOR'S RESPONSE TO BOE'S FINDINGS**

As noted in the Introduction to this report, the most recent assessment practices survey report for San Mateo County was published March 2001 and included the assessor's initial response to the findings and recommendations contained in that report. The assessor also elected to file a response to this supplemental survey. His response begins on the next page.

July 21, 2003

Mickie Stuckey  
Chief, County Property Tax Division  
State Board of Equalization  
P. O. Box 942879  
Sacramento, CA 94279-0062

RE: County of San Mateo, Supplemental Assessment Practices Survey

Dear Ms. Stuckey:

Pursuant to Section 15645 of the California Government Code, we are pleased to respond to the State Board of Equalization's Supplemental Assessment Practices Survey of San Mateo County. Please incorporate my response into your final Supplemental Assessment Practices Report.

I again would like to express our appreciation for the professional and courteous manner in which the supplemental survey team conducted their business.

We agree with most of the comments expressed under "Current Status" as of the time of your staff's field work. Our comments are for clarification of our current status.

I again wish to thank our staff for their continued hard work, professionalism and commitment to serving San Mateo County and our taxpayers.

Sincerely,

Warren Slocum  
Assessor-County Clerk-Recorder

/s/ Terry Flinn  
Terry Flinn  
Deputy Assessor-County Clerk-Recorder

Enclosure



**San Mateo County  
Assessor-County Clerk-Recorder**

**Response to the  
Supplemental Assessment Practices Survey  
Conducted by the  
California State Board of Equalization**

**RECOMMENDATION 5: Quarterly report all section 69.5 approved claims to the BOE.**

**Current Status:**

The assessor has not implemented this recommendation. The assessor does not submit quarterly reports of section 69.5 approved claims to the BOE. The assessor states that time and staff limitations prevent the fulfillment of this statutory duty.

**Assessor's Response:**

The section 69.5 reporting requirements were codified in 1987 and our office has submitted, and continues to submit these reports to the BOE. It is true that we developed a backlog in our quarterly reports during development, implementation and data conversion to our new assessment system. We are now timely in these reports, with our last submission to the BOE for the second quarter 2003.

**RECOMMENDATION 8: Assess the possessory interest of all private users of the fairground.**

**Current Status:**

The assessor has not implemented this recommendation. The assessor's policy is that concessionaires at the fairgrounds must occupy the facilities for a minimum of three years consecutively before they are assessed as a possessory interest. The assessor feels that a tenancy of three years indicates that there is a continuity of use. In addition, the assessor does not assess possessory interests below \$2,500 in value.

The assessor continues to use a term of three to five years to value the possessory interests of many long-term fairground occupants. Many of these occupants have a tenancy history of over 15 years.

Possessory interests with a value under \$2,500 continue to go unassessed. San Mateo County's current low-value property exemption ordinance exempts only personal property assessments. Possessory interests, though assessed on the unsecured roll, are real property. Although it may not be cost effective to assess, bill, and collect these minor possessory interests, there is no provision in the low-value exemption ordinance to exempt them.

**Assessor's Response:**

The issue here is one of appraisal judgment. We do not "exempt" small possessory interests. As is stated in Assessor's Handbook 510, at page 5 (Assessment of Taxable Possessory Interests, State Board of Equalization, December 2002), four criteria must be met for a possessors interest to be a taxable possessory interest. These criteria are: Independent, Durable, Exclusive and Private Benefit. In our opinion the interests cited due not meet the durability test.

We again will be reviewing the lease terms used in our possessory interest calculations of fairground concessionaires and all that have an occupancy history that meets a reasonable test of durability will be enrolled.

**RECOMMENDATION 12:** Use current income in determining the restricted value of California Land Conservation Act lands.

**Current Status:**

The assessor has not implemented this recommendation. The assessor does not use current income in determining the restricted value of California Land Conservation Act (CLCA) land. For current income estimates, the assessor continues to use income data from a 1985 study.

**Assessor's Response:**

For most CLCA land, the assessor does use rents derived from an older survey. Whether these rents are consistent with current market rents can not be determine until a new survey is completed (see Recommendation 13). For new CLCA properties, contract rent is used.

**RECOMMENDATION 14:** Use animal unit months (AUM's) in the analysis and assessment of grazing lands.

**Current Status:**

The assessor has not implemented this recommendation. The assessor does not use AUM's in the analysis and assessment of grazing lands when appraising CLCA land. The assessor uses his own classification system for the assessment of CLCA land.

**Assessor's Response:**

If our new survey of CLCA land yields sufficient data we will consider using AUM in the assessment calculation.

**RECOMMENDATION 20:** Annually, determine the market value of vessels valued below \$80,000.

**Current Status:**

The assessor has not implemented this recommendation and instead continues to apply an arbitrary five percent annual depreciation rate for vessels below \$80,000. In conjunction with other assessors, the assessor is exploring improved methods of determining the fair market value of vessels.

**Assessor's Response:**

For the 2003 Assessment Roll, we used the results of a market value depreciation study for the assessment of vessels.

**RECOMMENDATION 25:** Annually review manufactured home assessments and enroll the lower of the factored base year value or current market value.

**Current Status:**

The assessor has not implemented a program that automatically reviews all manufactured home assessments for a decline in value. The assessor has implemented the N.A.D.A. automated valuation system to calculate the current market value for manufactured homes, but unfortunately this labor-intensive program requires that each home be entered and calculated individually. The N.A.D.A. program does not provide for calculating the entire manufactured home database simultaneously. For the 2001 roll, the assessor's staff input data for every manufactured home and calculated a new depreciated value using the N.A.D.A. program. Those values were used for the 2001 roll.

In an attempt to recognize a decline in value for the 2002-03 roll, the assessor's staff chose several manufactured homes at random and calculated a new depreciated value for them. They determined that the average decline was two percent from the 2001-02 roll. They then applied a two percent reduction in value to all manufactured homes for the 2002-03 roll. While this recognizes a decline in value for manufactured homes, a program that automatically reviews all manufactured home assessments for a decline in value is preferred.

**Assessor's Response:**

We *have* implemented a program that automatically schedules all manufactured homes for a review for a decline in value. The assessments of all manufactured homes were reviewed for 2001, 2002 & 2003. Decline in value assessments were completed for all homes that showed a decline in value. The process of using an analysis of similar properties to determine the trend and depreciation factors for personal property is what was done and is a recognized methodology for the valuation of personal property.